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Wilson, Jeremiah Morrow

Currency, free banking

Washington

1874

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CURRENCY—FREE BANKING.

SPEECH
OF
HON. JEREMIAH M. WILSON,
OF INDIANA,
IN THE
HOUSE OF REPRESENTATIVES,
APRIL 3, 1874.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
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SPEECH

OF

HON. JEREMIAH M. WILSON.

The House having under consideration the bill (H. R. No. 1578) entitled "An act to amend the several acts providing a national currency and to establish free banking, and for other purposes."

Mr. WILSON, of Indiana, said:

Mr. SPEAKER, at an early day in this session I introduced and had referred to the Committee on Banking and Currency a bill on the subject now under consideration, and which at the proper time I propose to offer as a substitute for the bill reported by the committee.

In part it is substantially the same as the committee's bill, but it contains other provisions to which in the course of my remarks I will call the attention of the House if my time will allow.

But first I desire to urge upon the House the adoption of a feature common to both, namely, that which makes

FREE BANKING.

the adoption of which, in my judgment, will remedy a leading defect in our currency system, which is that the amount of currency is *limited by law*.

For years past we have had a limit fixed by law upon the amount of the circulating medium, and no matter what were the necessities of the country we could have just so much currency and no more. We could have four hundred millions of legal-tenders and three hundred and fifty-four millions of national-bank notes. We must now meet the question whether we will let it stand at that amount or whether we will increase or diminish it, or whether we will so change the system as to impart to the amount of our currency the quality of elasticity.

Currency is simply a means, a medium, an instrument used by the people in the exchanges incident to business; and the question is, shall the means be adapted to the end or the end to the means? Shall the business of the country be restricted to a fixed amount of currency, or shall the amount of currency be made commensurate with the demands of legitimate business? I apprehend that there can be but one answer to this. I presume no one will be found here or elsewhere insisting that the business of the country shall be restricted, nor will any one be bold enough to maintain that the currency shall not be ample to supply the demands of the legitimate business of the country. But, sir, the business is constantly varying. It varies from year to year with the variations in our agricultural productions and the productions of our manufacturing industries. The amount of currency that may be ample sufficient for this year may be too much or too little for next year. The necessity for it increases with the in-

crease of population. It might as well be said that the promissory notes necessary for a man to use when he is doing a business of \$100,000 per year is ample for his purposes when he does a business of \$100,000 per year, as to say that the currency necessary for thirty millions of people is adequate for forty millions of like individuals (thrift and energy); or it might almost as well be said that the food that is necessary to supply a nation of thirty millions is ample to satisfy the appetites of forty millions.

If the amount of currency is limited to a specific amount by law, and a season comes when that is too small, the people must suffer in their business until legislation can be had to increase it. It seems to me, therefore, that what is needed is a currency system that possesses the quality of flexibility or elasticity; making currency free to expand or contract according to the demands of legitimate business. To my mind this is not only a reasonable conclusion, but if the experience of others is of any value, it is supported by that also.

We know that in 1844 the English Parliament fixed a limit to the amount of notes that might be issued by the Bank of England; and yet we also know that, three times since, that law has had to be suspended and the bank permitted to oversize in order to prevent great financial disaster. What does this prove? It proves that the legislators of England were not wise enough to foresee the needs of the English people, nor sagacious enough to furnish them the means of avoiding financial ruin. The weakness, the imperfection of the act was demonstrated by the fact that three times it had to be violated to save the nation from bankruptcy.

Indeed, sir, it is not necessary that we shall go to England for forcible illustrations. We have them at home, and of so recent date that it is almost superfluous to allude to them. Prior to the 3d of December, 1872, the Assistant Secretary of the Treasury took the responsibility of issuing \$5,000,000 of the forty-four millions that had been retired by Secretary McCulloch. On the 2d of December, 1872, this House by resolution called upon the Secretary to know upon what authority and for what reason that five millions was again put in circulation. I have here his answer, an extract from which I will read. He says:

The object of the issue was the relief of the business of the country then suffering from the large demand for currency employed in moving the crops of the South and West. The condition of affairs then existing in the country seems to me to have warranted the issue upon grounds of public policy.

This is a forcible illustration of the absolute necessity for an elastic currency, and of the perniciousness of a rigid, cast-iron system. The business of the country was suffering, and but for the fact that it so happened that the Secretary had the means at hand to relieve it, it must have continued to suffer. But that means was not the result of any wisdom in our legislation. It was an accident. Congress had fixed a limit beyond which the currency should not go. A former Secretary thought the people had too much, and he retired forty-four millions, and thus it happened that, when business was suffering for want of the means "to move the crops of the South and West," there was a reserve which could be issued, there was a means of expansion, resort to which was had and relief was obtained.

And, sir, we have had a more recent experience. We all remember very well that when the recent panic came upon the country there was a looking up of currency, and a great clamor to have the Secretary of the Treasury relieve the stringency by issuing the forty-four million reserve which had been retired to reduce the circulation. I

remember to have read an article in an influential newspaper, somewhat noted for its conservative views, urging the Secretary to issue this forty-four millions and give relief, law or no law. And indeed hardly round members of the pressure brought to bear upon the President in New York at the time to which I allude, to avert the impending disaster by promptly causing this forty-four millions to be issued. The logic of this certainly is that a currency system which rigidly limits the amount that can be issued is an unsafe one for the nation.

Sir, if we are going to adhere to this "cast-iron" system, who knows what the limit should be? I venture to say that there is no gentleman upon this floor who will have the courage to assert that he knows and is able to state how much currency will be needed this year or next year to meet the business wants of the country. If there is any gentleman who knows, I would be much pleased to have him name the amount. It is not possible to know the amount, and therefore there is no alternative left us but to devise a system, and it is our duty to devise one if possible, by which the supply of currency shall be regulated by the demand.

The great practical question, then, is, how shall this be done? What shall we do to make the currency elastic? Some gentlemen tell us that if we will get back to specie payment the problem will be solved; that that will bring the necessary elasticity. Now, sir, no one would be more rejoiced than myself over a return to a specie basis. There are two modes of reaching that point. One is to let the country grow up to it, the other is to depress the business of the country down to it. Which of these modes shall we adopt? Shall we supply the necessary means to give play to the energies of the people, enabling them to develop the resources of the country, or shall we put out the furnace-fires, close manufactories, throw the laboring classes out of employment, restrain enterprise, and depreciate values? This latter course will bring us back to specie payment, but it will bring inevitable ruin upon thousands and thousands. It will bring a golden era indeed to the fortunate few who have money, but it will be a cruel wrong to the multitude.

Sir, we have no moral right to pursue a policy which will force business and prices down to a specie basis. The people are not responsible for the existing condition of our monetary affairs. There came upon the country a great calamity, and the result was a greatly increased volume of the currency. Gentlemen tell us that there is a redundancy of it and that it has inflated prices. Well, for the sake of the argument, let me grant it. Could the business of the country stop? Were the people to cease buying and selling? Could they fold their arms in idleness and wait for a change? No, sir; their energies would not allow them to do that, nor was it the interest of the nation that they should. They adapted themselves to this new state of affairs for which they were not responsible, they bought and sold at the inflated prices, they gave notes and mortgages, they felled forests, they built houses and barns and turnpike roads and railroads and incurred indebtedness in so doing, and now gentlemen who have their pockets full of money say to their less fortunate neighbors, "Your business must be broken up, your property must be depreciated in value, the mortgages upon it must be foreclosed, you laboring men must do without work, and your wives and children without bread, in order that we may get back to specie payment, i. e., in order that the national-bank notes and the legal-tender notes we have may be increased in value until they are equal to gold dollar for dollar." Sir, it is a policy that must make the "rich richer, and the poor poorer." If it has any

merit, it is in its conformity to that scriptural idea, that "to him that hath shall be given, and from him that hath not shall be taken even that which he hath."

That is one way to get to specie payment and to procure such elasticity as it would bring, but it would be cruel and unjust, and therefore not the right way. I prefer the other mode, *i. e.*, to have the country grow up to it, and to secure the necessary elasticity in some other way than by forcing specie payments now.

I have already argued that a fixed amount of currency is wrong in principle, and if I am right in that it necessarily follows that we must either take off the restrictions upon the issue of Government notes, or we must remove the limit upon the issue of national-bank bills. Which shall we do? If we do the latter, it obviously involves doing away with all other circulating notes.

There are manifest objections to the removal of the restrictions upon the issue of legal-tenders. Every legal tender is an evidence of Government indebtedness; it is a promise to pay, and the payment when made must be in gold. If, therefore, the restriction upon the issue of these notes is removed, it would place it necessarily in the power of the Secretary of the Treasury or some officer of the Government to indefinitely increase the national debt; it would place the amount of the indebtedness of the country practically under the control of one man. Besides this, it can hardly be good policy to make the mere evidence of the country's indebtedness the circulating medium of the country.

CASE LEGAL-TENDERS BE NOW TESTED

There is yet another reason why we should not resort to Government notes. They would be worthless as a circulating medium unless they had the quality of being a legal tender; and if we undertake now, in time of peace, to issue Government notes and make them a legal tender, we are confronted with the grave question, "Have we the constitutional power to do so under existing circumstances?"

It is well known that when it was first proposed to make the notes of the Government a legal tender for the payment of debts, although we were then in the throes of rebellion and pressed by the direct necessity, even under those circumstances many able men, with a multitude of adherents, insisted that there was no constitutional power to do so; even those who favored it did so with extreme reluctance, as the following quotations from the debates of the period will show:

Mr. Spaulding, of New York, introduced the first bill, and he said that he offered it as a war measure, to meet the most pressing demands upon the Treasury; a measure of necessity and not of choice, to sustain the Army and Navy. "These," said he, "are extraordinary times, and extraordinary measures must be resorted to in order to save our Government and preserve our nationality."

Mr. Campbell, of Pennsylvania, said:

The bill now before the committee is necessary to sustain the credit of the country and to carry on the war. It is with reluctance that I have come to this conclusion.

Mr. Stevens, of Pennsylvania, said:

This bill is a measure of necessity, not of choice. No one would willingly issue paper currency not redeemable on demand and make it a legal tender.

Mr. Fessenden said:

It has been defended simply and solely upon the ground that it is to be a single measure, standing by itself, and not to be repeated. "It is put on the ground of absolute, overwhelming necessity, that the Government has now arrived at that point where it must have funds, and those funds are not to be obtained from ordinary

sources, or from any of the expedients to which we have heretofore had recourse; and therefore this new, anomalous, and remarkable provision must be resorted to in order to enable the Government to pay off the debt that it now owes, and afford circulation which will be available for other purposes.

Mr. SHERMAN said:

I agree that this measure can only be justified on the ground of necessity. If I did not feel its necessity I should vote against it on constitutional grounds.

Mr. Howard said:

It is undoubtedly a hard necessity to which we are driven.

I might quote much more to the same effect; but this is enough to show the extreme reluctance with which leading men at that time assented to such a policy. In addition to this I need hardly call the attention of the House to the fact that the judges of the Supreme Court of the United States have been divided in opinion on this question.

It is safe to say that if the power exists at all, it is to be found in that provision of the Constitution which authorizes Congress to pass all laws that may be "necessary and proper" to carry into effect the enumerated powers. Whatever is "necessary and proper" to "collect taxes," to "borrow money," to "regulate commerce," to "raise and support armies," to "provide and maintain a navy," and so on, Congress may undoubtedly do. And I admit that Congress is the judge of what is "necessary and proper" to be done for these purposes or either of them. But it is not a matter of simple discretion on the part of Congress, or mere will power, but of sound judgment. I understand the rule laid down by the Supreme Court to be this, that Congress is the judge of the necessity and propriety of the act, and therefore, when Congress enacts such a law, the enactment is a determination of the fact that it was necessary and proper to enact it, and that determination the Supreme Court will not review, but will treat that determination, so to speak, as *res adjudicata*, and therefore will hold the act to be constitutional. In the case of McCulloch *vs.* Maryland, (4 Wheaton), Chief Justice Marshall said:

When the law is not prohibited, and is really calculated to effect any of the objects intrusted to the Government, to undertake here to inquire into the degree of its necessity would be to pass the line which circumscribes the judicial department, and to tread on legislative ground.

This is quoted with approbation by the Supreme Court in the Legal-Tender cases, (12 Wallace, page 542). In this case the court, after laying down the rule that Congress had the right to make a choice of means to secure a legitimate end, proceeds to use the language which I will read from page 542. It is as follows:

It is our province to decide that the means selected—

That is, making the notes of the Government a legal tender—

were beyond the constitutional power of Congress, because we may think that the other means to the same ends would have been more appropriate and equally efficient. That would be to assume legislative power, and to disregard the accepted rules for constraining the Constitution. The degree of the necessity for any congressional enactment or the relative degree of its appropriateness is for consideration in Congress, not here.

Here it will be perceived that the Supreme Court has expressly decided that what is necessary and proper to be done for the purpose of carrying into effect any power under the Constitution is a question for congressional determination, and not for the determination of the Supreme Court. We are not therefore to be governed, and cannot be governed by what the Supreme Court would say with reference to

such an act; for if we should pass it the Supreme Court would simply say, "By enacting it you adjudged that it was necessary and proper to do so, and we will not go behind that judgment." Hence the duty of judging in the first instance as to whether it is "necessary and proper" is upon us, and that judgment is practically conclusive.

As I said before, it is not a mere matter of arbitrary will power, but of sound judgment in view of the situation of the country and the end to be attained. The question then is, is there a state of facts or circumstances now existing which renders it "necessary and proper" to make an additional issue of Government notes and declare them a legal tender? For our determination on that subject we are responsible. Then, I put the question for the deliberate judgment of each member of this House, is there anything in the present condition of the country which makes it "necessary and proper" to issue additional Government notes and make them a legal tender? Is it necessary and proper that we should do so in order to "borrow money," or to "support armies," or to "provide and maintain a navy," or to "collect taxes?" Does any one of those, or do all of them combined, call upon us to exercise this power? If so, we may exercise it; if not, we cannot exercise it without transgressing against the Constitution. It may be argued that the States are prohibited from issuing bills of credit, and that therefore Congress alone has that power; and that to make these effective Congress may make them a legal tender. Let that be granted, and again I ask the question, are there any existing facts or circumstances which render it "necessary and proper" to resort to such an expedient? Is it necessary, to secure a safe and reliable circulating medium, that the debt of the nation shall be increased? I do not believe that there is anything that we are called upon to do under any or all of the enumerated powers of the Constitution which makes it "necessary and proper" that we should make a further issue of Government notes.

I cannot, therefore, give my assent to a resort to a mode of supplying any additional currency that the business of the country may require which involves increasing the public debt, and which is, to say the very least, of such doubtful constitutionality.

How, then, are we to provide the needed currency, and make it elastic? My answer is, by means of our national banks, and the legal-tenders already issued.

Since we have experienced the recent panic—and no man has been the loser by reason of being a bill-holder—it is unnecessary to argue that these banks whose circulating notes are secured by Government bonds will give the people a safe circulating medium. Here we have a class of bank-notes absolutely safe to the holder, and of uniform value throughout the country; and to this system we may resort to supply the country with such a volume of currency as may be needed, and we may, if the rule that the demand will regulate the supply is a safe one, make it an important aid to giving it elasticity.

Having argued that a limited currency is not the sound doctrine, and against the issue of any more legal-tender notes, I am necessarily brought to the conclusion that the limit should be removed as to the issue of national bank notes; or, in other words, that banking under this system should be free to all. Why should it not be free to all who can furnish the necessary security to the bill-holders? Why should a few men have the privilege of issuing circulating notes, to the exclusion of all others of equal means, facilities, and abilities? As the system now is it is a monopoly, and a monopoly can-

not but be harmful. It has the power to prey upon the people by reason of their necessities. It is contrary to the whole genius and spirit of our institutions to give special privileges to individuals or classes. If banking is made free, it not only furnishes the means of adapting the supply to the demand, but it produces competition, the tendency of which will be to cheapen money to the people.

But gentlemen tell us that if we make banking free the volume of the currency will be increased, and they say we do not want any more currency. I do not believe that it will increase the amount unless an increase is needed, and if it is needed it ought to be increased. I notice that this objection to an increase comes with striking unanimity from gentlemen representing New England. It is perhaps unfortunate for each of us that we judge of the whole country by our own particular locality instead of taking a survey of every part.

When recently I introduced some resolutions asserting that instead of imposing additional taxes to the extent of \$42,000,000, as we were called upon to do, the true policy was to afford the people increased facilities for business, and thereby increase the revenues, I was struck with the unanimity with which gentlemen from New England voted against that idea, and I looked into the statistics to see if I could find anything to account for the fact that while the West and South were voting for those resolutions, New England was voting the other way.

I found that New England, with a population of three and one-half millions of people and two and three-quarter billions of wealth, has one hundred and ten millions of circulation; while the Western States, with eleven and one-half millions of population and three and one-half billions of wealth, have seventy-five millions of circulation.

These gentlemen may well say that they do not want any more currency; that they do not want any more facilities than this circulation affords them. They have an average of thirty-one dollars *per capita*, while the Western States have an average of seven dollars *per capita* of population.

If thirty-one dollars *per capita* is a good thing for the constituents of gentlemen from New England, I think it would be hard to show why it would not be a good thing for mine. If they have a surfeit of circulation, why do not they get rid of it? They seem to hold fast to all that they have. Indeed there was an act passed to withdraw from that locality \$25,000,000 and distribute it to the West and South, but I have not heard of any haste to part with it. There are demands for more in the district I represent, but it cannot be had; and if New England has too much, some of my constituents are ready to take a part of it. I venture modestly to ask either that more shall be authorized or that you shall make a fair division of what is now authorized.

But, sir, they will not willingly give any of it up. They do not think they have any too much, and it is very evident that they do not think they can get along with any less than they have, and they know too well and cherish too highly the advantages of the business facilities it affords. A few days ago those who represent the national banks of the State of Rhode Island sent us a memorial protesting against the withdrawal of any circulation from that State, and giving it to the West and South, and asking that the existing law looking to the redistribution of \$25,000,000, for the purpose of equalizing the sections, should be repealed. Here is that memorial:

To the honorable the Senate and House of Representatives of the Congress of the United States:

The undersigned, citizens of the State of Rhode Island, representing the various national banking institutions of the State, respectfully represent:

That the provisions of the sixth section of the act to provide for the redemption of the 3 per cent. temporary loan certificates, and for an increase of national bank notes, approved July 12, 1876, directing in effect the withdrawal from the banking associations which were the first to organize under the act to provide a national banking currency, &c., of their circulating notes to the amount of \$25,000,000, will operate, if enforced by any legislation providing for machinery to give effect to the section of the law referred to, very prejudicially to the interests of this State and of New England.

The national banking capital in the State amounts to \$20,500,000, and the amount of bonds pledged for circulation is about \$15,000,000.

All of the national banking associations organized promptly after the passage of the act, and at the time when it was of vital importance to the preservation of the Government that the financial system by the act inaugurated should be accepted by the country.

The very large and varied manufacturing and mechanical industries in this State, the extent of which will be best appreciated from the fact that the first collection district paid a larger internal revenue tax on manufactures for several years into the Treasury than any other in the country, require for their successful prosecution all the banking facilities which the State now has. To contract any part of the circulation would directly diminish the volume of money resources, enhance the value of currency necessarily required for the weekly payment of thousands of operatives, and create financial disturbance, all resulting in the end in an increase of burden upon the consumer.

The undersigned believe that the attempt to equalize the distribution of currency by withdrawal from the earlier organized banking associations of a percentage of their circulation, to be given to associations in States and Territories having less than their proportion, would be attended with greater loss to the industrial communities which would suffer thereby than could possibly result from equalizing the proportions of circulation by increasing the volume of currency to the extent of twenty-five millions for the benefit of associations in the States and Territories having less than their proportion.

The undersigned therefore pray that the sixth section of the act above referred to be repealed; and they respectfully protest against the passage of the bill just reported from the Finance Committee, to provide for carrying into effect the sixth section of said act.

It is signed by the officers of thirty-two banks in the State of Rhode Island.

Turning to the last report of the Comptroller of the Currency I find that Rhode Island has a circulation of \$61.53 for each man, woman, and child in the State; and then by the same report I find that Indiana has a circulation of \$8.75 for each man, woman, and child in that State.

It is very evident that these Rhode Island bankers find that this banking privilege is a desirable one to have; else they would not hold to it so pertinaciously. They tell us that no part of their circulating notes can be withdrawn from them and given to the West and South without operating "very prejudicially to the interests of the State and New England." They say that "their manufacturing and mechanical industries require for their successful prosecution all the banking facilities the State now has." And yet, sir, these very gentlemen seem to be unable to appreciate, and all New England seems to be unable to appreciate, that the banking facilities which they regard as so essential to their prosperity are equally essential to the prosperity of the West and South.

A few days since my friend from Massachusetts [Mr. BUTLER] had the pleasure of an interview with some of the "solid men" of Boston, in which he called their attention to this subject. He said:

There is also the question of withdrawing twenty-five millions from Boston and distributing it South and West. "I am rejoiced to twenty-five million project, I shall not allow that to be withdrawn from Massachusetts if I can help it.

He was very anxious to have these solid men aid him in defeating that proposition. Why? Because he thought it would seriously affect the "material interests of Boston."

By the report of the Comptroller of the Currency I find that Massachusetts has a circulation of \$40.84 per capita.

If we talk about redistribution, so as to equalize these facilities between the various sections of the country, we are met by the declaration, "Money will always go where it is needed, no matter where the bank is situated." Well, let me grant that to be true. If it is true, then why should there be any opposition to letting us have our fair proportion of this circulation? According to this proposition, if we get \$25,000,000 more of this circulation in the West and South by withdrawing it from New England and it is needed in New England, it will go there; therefore New England would not be injured.

Sir, this proposition that money will go where it is needed, as applied to this question, is a delusion; it is an artful dodging of the real question involved.

If all the circulation of the country were issued from a bank on the top of Mount Washington it would be the same as now, so far as the mere matter of circulation is concerned; that circulation would ob and flow backward and forward throughout all the veins and arteries of trade according to its inexorable demands, just as it does now, and just as it always will, but the capital essential to its issue would be all concentrated at that point. It is not the mere question of the places whence these bills shall be sent out on their mission, but it is the matter of the facilities for doing business, for making exchanges, for the concentration of capital, making it readily accessible to merchants, manufacturers, traders, mechanics, farmers, that is of consequence. It is of infinite importance to the people that the surplus capital shall be distributed about over the country, so that it may be easily accessible to the business men of every locality. If all the money of the country were issued from the district I represent, Rhode Island would have just as much money as she has to-day, perhaps, but she would not have her present business facilities.

The reason New England is so reluctant to yield up any of her circulation is that it would deprive her of the business facilities it affords, and the business facilities afforded by it is what the West and South want.

I take occasion now to say, lest I may forget it, that I do not believe in the redistribution policy. I am willing that New England shall have all the facilities for business she now has. I would not take a single one away from her; I am glad that she has them; I am proud of her prosperity. All that I ask is that we shall not be deprived of like facilities; that, having gotten what they want, they shall not close the door against us; that they shall help us to open the door, to the end that we may avail ourselves of such facilities as the demands of our business, our industries require. To refuse this is both ungenerous and unjust.

I am afraid that some of our New England friends are disposed to be a little selfish on this subject, and if they find some of us of the West and South a little determined in looking after our interests they must not complain. We can control this Government if we choose; but if we do it will be, I trust, always upon principles of justice to all, equal rights and privileges to all. But I fear that is not the spirit of some of our friends. I have called attention to the spirit in Rhode Island, now let me attract the attention of the Honorable a colloquy that occurred a few days since between the gentleman from Connecticut [Mr. KELLOGG] and the gentleman from Ohio, [Mr. JEWETT.] That the moral of it may be seen, I call attention to the fact that the report of the Comptroller of the Currency shows that while Connecticut

cut has a circulation of \$31.48 for each man, woman, and child in the State, Ohio has a circulation of \$8.96 for each man, woman, and child. That is the difference between the two States, each represented in part by the gentlemen I have named.

The gentleman from Connecticut [Mr. KELOGG] said:

I have a few words more in regard to this complaint that I have heard several members make upon this floor, and which seems to be repeated by the press of the South and West, that we have more than our fair share of circulation, and that unless we will consent here and now to give you eighty or one hundred millions more of national currency or greenbacks, in a measure which we think most disastrous and ruinous to the whole country, to your interests and to ours, in some way or other you are going to take away the surplus over our share of circulation, as you call it.

Mr. JEWETT. Have you not in our section, and we cannot keep what we have got. There are from five to ten millions of our circulation to-day out in your Western States. We cannot keep enough for our business purposes at some seasons of the year, because men go to the West with it and get 10 and 12 per cent. interest upon it when they cannot get more than 6 or 7 per cent. with us.

Sir, that is a frank confession of the very thing of which we complain. Money is too dear with us; 10 and 12 per cent. is the lowest rate at which it can be obtained. Our New England friends who, according to my friend from Connecticut, can only get 6 and 7 per cent. at home with the large amount of circulation they have, (thirty-three dollars *per capita*), can go over into the valley of the Mississippi, with its boundless natural capacities for wealth and prosperity, but where there is less than eight dollars *per capita*, and lend for 10 and 12 per cent. Thus the industries of the West and South are taxed; thus they pay tribute at the rate of 4 to 6 per cent. My friend says that that money they are lending is they need at home for their own business at some seasons of the year. If so, how much the greater must be our necessities when we will pay for the use of it so great an interest! He confessed that they had not any more than they wanted, that at some seasons of the year they had not enough; he is unwilling to let go of any they have, and is also unwilling that we, who are not nearly so well supplied, and are in need of the facilities which they so highly prize, and which are afforded by the circulation they have, shall be provided for. And, sir, he was not content with informing us of our condition of dependence, which we had long ago learned by experience, but he went further and said:

I propose to ask my good friends of the South and West what they are going to do about it?

Well, sir, I cannot speak for others in answering this question; but I venture to call attention to the fact that the West and South have the power to control this matter. We who represent those sections can, if we will, correct the legislation which now makes us pay tribute to other sections. We can, if we will, give to our constituents the same facilities that others possess; and I know that the time has come when they expect us to look after their interests, and when they will have men here who will do so. And answering the question for myself, I take this occasion to say that I shall not rest content until a law has been enacted that will give to every section of the country an equal chance; which will cut off the enormous tribute which we are now paying, according to the gentleman's statement, to our more fortunate neighbors in the East; which will give the country ample currency for the demands of business, and which will give to the West and South the banking facilities they need. This would be accomplished in my judgment by free banking; but if I cannot get that, then I shall vote for the next best proposition, i.e., to take away from the States that have an excess of circulation and distribute that

excess among those that have not a fair share, and thereby equalize the States in this regard.

Mr. DAWES. I have listened to the gentleman's argument in favor of free banking with great interest, as I have always listened to what he has had to say; but I do not understand what occasion he had to arraign New England. I do not speak for any one but myself, and I know I have never said anything, and do not know of any vote recorded by New England, which would justify that arraignment. I say what I believe to be the sentiment of New England, that she is in favor of free banking as much as the West if it can be properly guarded, and that the only desire on her part is that it shall have such limitations in regard to circulation and redemption as will be as much for the interest of the West as for the interest of New England. I have a bill, drawn by myself, which contains section in regard to free banking, and I have taken pains in it that there shall be such guards thrown around the issue and redemption as will prevent any inflation or explosion which would injure the West just as much as the East. I do not know why it is, then, that the gentleman feels called upon to arraign New England in reference to this question of free banking. I think New England is as much for it as the West, provided only that safe redemption can be secured; and this is as essential for the West as for the East.

Mr. MAYNARD. If the gentleman will allow me, I wish to explain a remark which fell from me in this connection when I proposed some weeks ago to make this bill a special order and asked for a suspension of the rules. I noticed with some degree of regret and surprise that with the exception of one gentleman from Massachusetts, who seems to have voted a little wildly on that subject, and one more from Maine, whom I do not now see in his seat, the entire vote of New England was solidly against me.

Mr. DAWES. Does the gentleman understand that to be because there was a section in his bill for free banking? I understand that it was for a very different reason. I was not here, however, and do not know. I venture to say if the gentleman will bring forward a bill for free banking alone, properly guarded—so guarded in respect to issue and redemption as to take care of the West just as much as of the East—he will not find New England voting against it.

Mr. MAYNARD. There is a section, the last section of the bill, which perhaps can hardly be called a free-banking section.

Mr. DAWES. When I reported the bill in reference to the four hundred million United States notes, I expressly said, representing the Committee on Ways and Means, that it was their intention to supplement that section with other sections, one of them containing among other things free banking; not like the one in this bill, but so guarded as to make free banking with redemption safe both East and West.

Mr. G. F. HOAR. I ask leave to utter just one sentence, to say that there has not been a period since the inauguration of this Government, or since the struggle for our independence began, in which gentlemen from the rest of the country have not been arraigning New England as selfish—since the time when Sam. Adams's life was not safe in Philadelphia because of his favor of independence. And there has not been a single one of the policies she has maintained to which the rest of the country has not in time come round, confessing that her views were as much to their interest as their own. And I am very sorry if my colleague [Mr. DAWES] has to apologize for or flinch from any attitude we take on this question.

Mr. DAWES. I do not know what occasion my colleague has to say that I have apologized. I have made no apology. I am giving my idea of the sentiment of New England on the question of free banking. If I have done it in a manner that appeared to be apologizing or flinching, then I do not understand what is the nature of a fair and candid statement, before this House, of what I believe to be the sense of public sentiment in New England upon a question under discussion here. And I am not here watching any of my colleagues to see whether I can find in their words occasion to set myself up above them, as standing up for the rights of New England better than they.

Mr. HAWLEY, of Connecticut, and Mr. BUTLER, of Massachusetts, rose.

Mr. HAWLEY, of Connecticut. I want to say just a single word.

Mr. BUTLER, of Massachusetts. I will yield to the gentleman from Connecticut first.

Mr. WILSON, of Indiana. I do not think I can yield further.

Mr. HAWLEY, of Connecticut. I wish to say just one word.

Mr. WILSON, of Indiana. It is very evident that these gentlemen cannot harmoniously settle the attitude of New England among themselves.

Mr. BUTLER, of Massachusetts. Give us three minutes and we will let you have time enough to finish your speech.

Mr. WILSON, of Indiana. Then go ahead.

Mr. HAWLEY, of Connecticut. I desire to speak a word for one small section of New England. I do not care how much money there is in the country. The more the better, if it is good money. I do not care how much capital there is in the country. The more the better. It is capital that the gentleman wants in Indiana rather than money. In Connecticut, for two hundred years, we have saved almost every dollar we have earned, and put it away in savings-banks and otherwise. It is because we have done this that we have got something to send to the West.

Now, as to the matter of distributing the currency—

Mr. WILSON, of Indiana. I must really resume the floor.

Mr. HAWLEY, of Connecticut. I just want one minute to tell the gentleman what bill I will go for. If you wish more banking facilities rather than increase the volume of irredeemable paper, take this course: authorize new banks and retire circulation from the older sections of the country *pari passu* with the issue of the new circulation, so that the aggregate of the volume in the country will remain the same. I would be willing to vote for that. The gentleman from Massachusetts [Mr. BUTLER] and other gentlemen from New England may speak for themselves.

Mr. BUTLER, of Massachusetts. I think I am called upon to say a word here. And I desire simply to say that I have the advantage of never having to apologize to New England for any vote I have ever given. While representing her on this floor I have given votes for the country, thank God, the whole country. And I think I was doing my duty to New England when I abstained from arraying her and her interests for one moment against the interests of the whole country. Now, sir, I am not willing to flood the country with irredeemable paper money issued by corporations, to make money for themselves, and withdraw from circulation the money of the people, the green back, which alone is the basis upon which all the bank paper is sustained. The gentleman from Connecticut, [Mr. HAWLEY,] if he can have more bank paper in New England and elsewhere, out of which men can make money and have all the chance to grind the poor

man, is quite willing to have that sort of irredeemable paper money; but he is against the people issuing their own money, without price, without anybody to tax it, without anybody to put it into the pockets of other people, and take toll on it as it goes along. All the property of the nation, all the wealth of the nation, all there is of this Government, was saved by the greenback; and behind the greenback is a pledge for its redemption in the taxes of the country, in the property of the country, and not alone in the gold of the country, which we of New England may have a little more of than some of the rest of the States of the Union.

Mr. GARTRELL. Will the gentleman please point out the link that fastens his greenback to the security which he says gives it its value? How may the holder of it realize the security?

Mr. BUTLER, of Massachusetts. It is fastened by the votes of honest Congressmen that do not vote for banks.

Mr. WILSON, of Indiana. So far from making any attack upon New England, I have already said in the course of my remarks that I am proud of her prosperity; that I would not withdraw from her a single facility in the business which she has—not one. On the contrary, I desire that she shall have every facility that is in our power to give her. What I did do was to criticize the manner in which this matter has been discussed upon the floor of this House during this debate. I do not now know exactly the attitude which New England occupies upon this floor upon this free-banking question; but if the gentleman from Massachusetts [Mr. DAWES] says that he has never crossed free banking, if that is the attitude of New England, then, of course, we are hand in hand together upon this question. It is but natural that we should differ in opinions upon this subject. The other gentleman from Massachusetts [Mr. BUTLER] has just announced himself in favor of a greenback currency. I have been arguing against that on grounds which I think are sound. He and I differ on that question, and other gentlemen differ with me like him on that question. There is a diversity of opinion with reference to it. All that I am contending for is that this thing shall be so adjusted that every section of the country shall have equal facilities for the transaction of business, and I believe that that will be accomplished by free banking.

HAVE WE TOO MUCH CURRENCY NOW?

But gentlemen tell us that if we make banking free we will increase the currency, and that we have too much already. I want to consider that for a moment.

I do not place very great reliance upon comparisons between different periods, or comparisons between different countries in settling a question like this. But if there is any virtue in such comparisons, it would indicate very strongly that we have not enough.

In the United Kingdom the circulation is about twenty-three dollars *per capita*. In the United States, taking the country all over, it is sixteen dollars *per capita*. But in the former case the people are compressed into a comparatively small territory. They have banking facilities at their very doors. The means of making their exchanges are abundant, and consequently a comparatively small amount of circulation is essential. A little money will go a great way under such circumstances. Our population is scattered over a vast area, and in the West especially facilities are limited. Hence the people are compelled to keep the money necessary for their business in their pockets, and to that extent it is not in active circulation. This would indicate that we need more *per capita* than our neighbors across the

Atlantic; yet they have seven dollars *per capita* more than we have. Unless you can prove that they have too much, this proves that we have too little. And there is yet another consideration. Their country is already developed. They have made their improvements; we are just developing ours. We are building our dwellings, our shops and manufactories, and bringing wildernesses and waste places under cultivation. This comparison would indicate that we have not enough.

If we make a comparison by periods in our own country the result will be found the same.

In 1890 we had thirty-one millions population; in 1870 we had thirty-eight millions. In 1890 our wealth was \$16,000,000,000, while in 1870 it was \$30,000,000,000. In 1890 we had an active circulation of \$300,000,000, while now we have an active circulation of less than \$800,000,000. It is impossible to ascertain by what accretion the amount. It is probably not over five hundred millions. The chairman of the committee, [Mr. MAYNARD,] who has no doubt examined the matter with care, places the amount much lower than that. When we consider the vast increase of our business between those two dates, and the extent to which the people have scattered themselves abroad over a vast expanse of country that in 1870 was totally uninhabited, thereby placing themselves remote from business centers, and compelling them to have actual money for want of the usual devices of trade, it is apparent that the increase has not kept pace with our needs. Besides this, we now have a use for money that we did not have in 1870 to the same extent. Then we had three hundred millions of circulation, and we used eighty millions in the way of revenues paid to the Government. Less than one-fourth of the amount of circulation passed through the Treasury. Now we have less than six hundred millions of active circulation, and we use three hundred and thirty millions in paying revenues to the Government, or more than one-half of the circulation passes through the Treasury per annum. I do not pretend that the amount collected as revenues is withdrawn from circulation, but I refer to this to show that here is a use for money that has enormously increased since 1870, and that use or demand for money has grown in equal proportion with reference to local taxes.

The increase of the circulating medium has by no means kept pace with the increase of the necessities for it; the increase and spread of population, the increase of business, the increase in the needs of the Government, national and local.

HOW IMMEDIATE RELIEF MAY BE OBTAINED.

Something is necessary to be done to revive business. Many productions have stopped; many, many men and women are out of employment; there can be no question about that. The country is the loser every day for the want of their labor, and they are the sufferers for the want of the comforts that labor would bring. When the panic came the money was locked up and business stopped; and it is idle to deny that it is the want of money in the usual avenues of business that has stopped it. There is an easy mode of relieving the country from this difficulty. There is now a large amount locked up in the banks as reserves on circulation. It is wholly unnecessary to keep it there. The circulation is amply secured by the bonds on deposit in the Treasury. This reserve can be set free without endangering the safety of the circulating notes. I propose that we shall do this by repealing that portion of the existing law which requires the banks to hold this reserve. This would give immediate relief, and to all sections of the country at the same time; for at every point where

there is a bank there would be additional money ready for use upon the instant that the act was passed.

MONEY PANICS AND A RESERVE.

But, sir, I am far from believing that to make banking free is all that is necessary to be done.

A money panic is ruinous to the people, and if there is any device by which such calamities can be avoided in the future, its adoption would be a blessing to the nation.

Every one knows that the recent panic grew out of a want of confidence, not in the circulating medium, for everybody had confidence in that, but in the banks of the country. A great banking house failed because of the character of the business it had been doing, the kind of securities it had taken for its loans or its investments in corporation stocks and bonds; and when that house failed it created a universal apprehension as to all others, and those who had money on deposit demanded it, because they knew it was good, that it would not become worthless in their own hands, and they were afraid to trust it longer with the banks. Thus it went out of circulation, the banks could not discount, and business came to a stand-still, with the most disastrous consequences.

It is pretty generally, I believe, conceded, that the remedy for this is a strong reserve, to which resort can be had in cases such as this. The Bank of England wards off panics by freely issuing from its reserve; and when the reserve is not strong enough it is permitted to overissue, as I have before stated. I propose to remedy this defect in our system by creating a strong reserve in our national Treasury. I propose that as fast as circulation is issued to newly organized banks, and when the revenues of the Government are in excess of current demands, the Secretary of the Treasury shall retire legal-tender notes into a reserve fund to the amount of \$100,000,000, to be held for the sole purpose of issuing to those who may desire any portion of it upon a deposit of United States bonds, the interest on the bonds to cease while they are deposited in the Treasury. That is to say, if A has \$10,000 or any other sum in Government bonds, and desires a like amount in notes for the purpose of his business, he may deposit the bonds with the Secretary and receive notes to a like amount; but there shall be no interest on the bonds while they are thus deposited. This would cost the Government nothing; it does not involve any increase of the Government debt; but it creates what is now so much needed—a reserve fund, safe, reliable, permanent, which would give confidence to the people. It would not only give relief if a panic came, but would tend strongly to prevent panics altogether. The very fact that there was such a fund would give confidence to the people, and the existence of such a reserve would tend strongly to prevent that pernicious practice of those most pestilent of all gamblers, the stock-gamblers—the practice of cornering the money market. When they set themselves to work to corner the money market, they would consider the fact that here was a reserve of \$100,000,000 that they must corner also; the maddest “bull” and the hungriest “bear” would hesitate long before venturing upon a speculation that involved so great an undertaking.

But, sir, I propose by a portion of this substitute to do something to protect the country against the evils arising out of this practice of

GAMBLING IN STOCKS.

Depositors expect the banks to lend the money deposited, but they

have a right to expect that the banker in whom they confide shall make his loans upon reliable security. But, sir, one source of financial misfortune grows out of the practice of lending upon the security of corporation stocks and bonds. When a crisis comes many of these cannot be converted into money; the bank that has made loans upon such security fails, and carries other banks and business men down with it into a common ruin. Against this peril depositors have a right to be protected, and I propose to protect them by requiring the bank examiner to ascertain whether the bank is lending upon such security, and if so, to publish the fact in the newspapers where the bank does business. I take it for granted that no prudent business man would keep his deposit account with a bank that was lending his money upon doubtful corporation stocks or bonds, and therefore I apprehend that no bank that desired to receive deposits would make such loans. The managers would know that so soon as such a report was published, every prudent banker would withdraw his balances from that bank, and every prudent business man would withdraw his deposits.

Such a provision certainly could do no harm, and it seems to me would furnish a great deal of protection to the business men of the country. It would tend to confine banking to legitimate channels.

Mr. KELLEY. I desire to ask the gentleman whether it is not true that a bank examiner is now under prosecution for having received bribes to the amount of \$76,000 from banks to make false reports under your present system?

Mr. WILSON, of Indiana. I am not apprised of that fact.

Mr. G. F. HOAR. Has not the experience of mankind shown that the motives to which you have adverted are insufficient to secure the public and depositors and to control the banks against the dangers which you have described? Will it not be necessary to have the Government interfere and stop the operations of the bank when such abuses exist?

Mr. WILSON, of Indiana. I think I have provided in the bill which I have introduced to meet the very point which the gentleman from Massachusetts suggests.

With reference to the point made by the gentleman from Pennsylvania, [Mr. KELLEY,] the fact that a bank examiner has turned out to be a scoundrel is no reason why there should not be some restrictions placed on the banks.

Mr. KELLEY. I would ask the gentleman whether the failures of the banks here and elsewhere have not disclosed the fact that the bank examiners had either been false to their trust or incapable of discovering the frauds of the banks?

Mr. WILSON, of Indiana. All that may be true. It is an argument against the weakness and corruptibility of our human nature, and not an argument against trying to devise some system by which honest men can be protected against the practices of these banks.

Mr. MERRIAM. In eleven years only eleven of the national banks have failed, a condition of things unprecedented under any other system.

Mr. KELLEY. That does not answer my question about the deterioration on the part of the bank examiners. I think it a better plan to keep temptation from poor, weak, human nature, than to place it largely before men and then trust to some one man to prevent fraud.

Mr. WILSON, of Indiana. I take it for granted that when we undertake to legislate on a subject of this kind we must do the best we can. It certainly is our duty to protect the depositors as far as

we possibly can. At present this matter of depositing money in banks is a mere matter of faith, and it is a faith that is predicated upon no knowledge whatever as to what the bank is doing. The depositor has a right to know what the bank is doing with his money, and if we can devise any means by which he shall not simply live by faith but shall have something upon which he can predicate that faith, we ought in my judgment to do it. If some bank has bribed an examiner and perpetrated a fraud on its depositors, that is an argument for abolishing examiners, but it is a reason why additional safeguards should be provided if possible.

PAYING INTEREST ON DEPOSITS.

There is still another restriction that it seems now to be generally conceded should be placed upon the banks. I refer to the practice of paying interest on deposits, and I have proposed to prohibit this by the amendment forbidding it so far as the banks themselves are concerned. For obvious reasons it is not proposed to prevent the payment of interest to individual depositors. If Congress had the power to prevent all banks from paying interest on deposits, it would be well to do so, but it has no power over private banks or State institutions, and cannot prohibit them. If, therefore, we should prohibit the national banks from paying interest to individual depositors, all the deposits would flow into the others. But it is so universally conceded that the practice of paying or receiving interest to and from each other is an exceedingly pernicious one, that I will not discuss it. I take it for granted that the House will prohibit it in the future.

Mr. MAYNARD. What difference will there be if you prohibit the national banks from depositing with each other and permit them to make their deposits with private bankers?

Mr. WILSON, of Indiana. I think if the gentleman will look at the philosophy of any bill he will find that I have met that difficulty.

There is one other matter to which I desire to call attention in this connection. As I said before, we are told that money will go where it is wanted, and as furnishing an evidence of this I notice that the newspapers are laying stress upon the fact that when the Secretary of the Treasury recently issued largely out of the forty-four million reserve, a very large part of it found its way into the banks of New York. That is proof of an evil I am seeking to correct. Our banks in the West, instead of keeping the money received from depositors at home, keep balances in New York, on which they can draw at any time and on which they get interest. This all works well enough until trouble comes, but when the New York banks get into trouble it brings all that have balances there into trouble also. It is the demand made by the stock-gambling operations in New York that outlives these balances there. It is an unnatural, an immoral, and should be an illegal demand. If we prevent the payment of interest on balances and virtually prevent loans on stock securities, the result will be that these balances will be kept at home where the depositors have a right to expect them to be. If they are where they should be, in the bank where the depositor places them, then a corner in New York would not disturb the financial affairs of the whole country. But I need not enlarge upon this.

Mr. Speaker, with free banking coupled with the restrictions I have adverted to, and a strong reserve, I cannot see why we would not have a healthy and reliable circulating medium, and be reasonably secure against panics in the future. And I am unable to see why it would seriously interfere with a return to specie payments in the future. I

do not believe that free banking will increase the circulation beyond the actual needs of the country. Whenever the Government can return to specie payment, the banks and people will be ready. By creating the reserve of which I have spoken, and by the additional use for legal-tenders by newly organized banks, they would soon come to be regarded as the basis of our currency system, and their value would be appreciated. I believe it would tend to hasten rather than retard specie payments. But whatever might be the effect in that regard, it would give the people all the currency they actually need, of undoubted reliability, and would give to every section of the country the opportunity to supply itself with business facilities which are indispensable to prosperity.

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